The opinion in support of the decision being entered today was not written for publication and is not binding precedent of the Board.

Paper No. 30

UNITED STATES PATENT AND TRADEMARK OFFICE

---

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

---

Ex parte FREDERICK W. RYAN Jr., MICHAEL W. WILSON, RONALD P. SANSONE, THERESA BIASI and VADIM STELMAN

---

Appeal No. 2005-0667
Application 09/634,041

---

ON BRIEF

---



Before FRANKFORT, NASE, and NAPPI, Administrative Patent Judges.

FRANKFORT, Administrative Patent Judge.

DECISION ON APPEAL

This is a decision on appeal from the examiner's final rejection of claims 1 through 6 and 8 through 16. Claims 17 through 33 stand withdrawn from further consideration under 37 CFR § 1.142(b) as being directed to non-elected species. Regarding claim 7, the only other claim in the application,

although the Index of Claims in the application file indicates that this claim has been canceled, we find no amendment of record which directs the cancellation of claim 7. Moreover, notwithstanding appellants' election of claims 1-16 for prosecution in the present application (see Paper No. 8, filed Oct. 10, 2001), the examiner has not once rejected or otherwise commented on the status of claim 7. Nor does the Notice of Appeal (Paper No. 13, filed March 27, 2002) include claim 7. Thus, although the exact status of claim 7 is not clear from the present record, what is clear is that it has not been rejected by the examiner and is not before us on appeal.

Appellants' invention relates to the collection of taxes for the sale and/or use of goods and/or services. As noted on page 3 of the specification, today, sellers are responsible for calculating taxes due based upon the location of the buyer, collecting taxes due from the buyer, accounting for taxes collected for the taxing jurisdiction, remitting taxes to the taxing jurisdiction for which they were collected, filing tax returns with each taxing jurisdiction for which taxes have been collected and supporting each taxing jurisdiction's audit of the buyer's records.

However, the specification goes on to note that there are currently approximately 6,000 jurisdictions in the United States collecting sales and/or use taxes, thereby making it an onerous task for sellers to perform the above-noted required sales and/or use tax administrative functions. Goals of appellants' invention are to better allow taxing jurisdictions to collect sales and/or use taxes on sales that are made via remote sales, i.e., via the Internet and/or catalogs, and to make it easier for sellers to comply with a taxing jurisdiction's mandated seller administrative functions. To that end, appellants' invention is directed to a method for calculating the correct taxing jurisdiction's sales and/or use taxes on sales including remote sales (catalog or Internet sales) and having the seller collect the correct taxes from the buyer, but then having a certified agent perform the remainder of the tax administrative functions of the seller for all taxing jurisdictions involved, thereby relieving the seller of as much of the burden of compliance as possible.

Looking to Figure 1 of the application for an understanding of appellants' invention, we note that when a buyer (11) makes a purchase from a seller (12), the seller transmits to a Certified Automated System (CAS) (13) the buyer location and details of the

goods and/or services purchased, whereupon the CAS calculates the correct sales and/or use taxes due for the appropriate taxing jurisdiction and communicates that information to the seller to thereby allow collection of the taxes due. A Certified Service Provider (CSP) (14), certified by all participating taxing jurisdictions, communicates with the CAS to obtain aggregated tax records for participating sellers and with sellers' banks (15) to obtain the sales and/or use taxes collected by the sellers. The CSP (agent) then performs all of the tax administrative functions of the sellers for all taxing jurisdictions involved. More particularly, the CSP will set up tax record data bases (16a, 16b . . . 16n) for each seller (12) in each taxing jurisdiction, prepare documentation (e.g., tax returns) for each taxing jurisdiction, submit such documentation to the taxing jurisdictions, submit appropriate tax revenues to the jurisdictions, and support the taxing jurisdictions during any audit process.

As noted on page 7 of the specification, of importance to appellants is the need for restricting access to the information in the seller tax record data bases (16a, 16b . . . 16n). Thus, a seller's information in those data bases is to be stored under an alias or ID number which is not normally exposed to the taxing

jurisdictions. While the taxing jurisdictions may conduct an audit using the alias or ID number, a seller's true identity would be disclosed "only if there were sufficient suspicion of fraud based upon audit data."

Independent claim 1 is representative of the subject matter on appeal, and reads as follows:

1. A method for collecting sales and/or use taxes on remote sales, said method includes the steps of:

A) collecting information regarding remote sales made by buyers;

B) calculating the correct taxing jurisdictions sales and/or use tax to be paid by buyers for remote sales;

C) collecting by sellers from buyers the correct sales and/or use tax;

D) collecting by an agent the correct sales and/or use tax received by sellers;

E) segmenting by the agent, the seller's sales and/or use taxes and the information collected by the sellers for particular taxing jurisdictions into different data base, wherein the identity of the seller is not revealed to the taxing jurisdiction; and

F) paying each taxing jurisdiction the taxes that are due.

The prior art references of record relied upon by the examiner as evidence of obviousness under 35 U.S.C. 103 are:

| | | |
|---|---|---|
| Longfield | 5,193,057 | Mar. 9, 1993 |
| Chong | 5,335,169 | Aug. 2, 1994 |

| | | |
|---|---|---|
| Francisco et al. (Francisco) | 6,078,899 | Jun. 20, 2000 |
| Himmel et al. (Himmel) | 6,321,256 | Nov. 20, 2001 (filed May 15, 1998) |

State of North Carolina RFP #001185, "Pilot Program for Streamlined Sales Tax System," June 16, 2000 (RFP #001185)

Claims 1 through 5 and 8 through 16 stand rejected under 35 U.S.C. § 103(a) as being unpatentable over Chong in view of Francisco, Appendix A of RFP #001185 and Himmel.[1]

Claim 6 stands rejected under 35 U.S.C. § 103(a) as being unpatentable over Chong in view of Francisco, Appendix A of RFP #001185 and Himmel as applied above, and taken further in view of Longfield.[2]

Rather than reiterate the examiner's statement of the above-noted rejections and the conflicting viewpoints advanced by appellants and the examiner regarding those rejections, we refer

---

[1] We note that a copy of dependent claim 11 does not appear in the Appendix attached to appellants' corrected, substitute brief and that a correct version of this claim can be found in the original application papers filed August 8, 2000.

[2]As indicated in the advisory action mailed February 8, 2002 (Paper No. 12), the rejection of claims 1 through 5 and 8 through 16 under 35 U.S.C. § 112, second paragraph, set forth in the final rejection (Paper No. 9, page 2) has now been withdrawn.

to the final rejection (Paper No. 9, mailed Dec. 19, 2001) and examiner's answer (Paper No. 26, mailed March 9, 2004) for the examiner's reasoning in support of the rejections and to the corrected substituted brief (Paper No. 23, filed July 29, 2003) for appellants' arguments to the contrary.

OPINION

Our evaluation of the issues raised in this appeal has included a careful assessment of appellants' specification and claims, the applied prior art references, and the respective positions advanced by appellants and the examiner. As a consequence of our review, we have made the determination that the evidence relied upon by the examiner is sufficient to support a conclusion of obviousness under 35 U.S.C. § 103 with respect to the method defined in appellants' claims 1 through 6 and 8 through 16 on appeal. Our reasoning in support of that determination follows.

Before turning to the examiner's rejections of appellants' claims based on prior art, we note that it is an essential prerequisite that the scope and content of the claimed subject matter be fully understood. Our reviewing Court has emphasized

on numerous occasions that analysis of whether a claim is patentable over the prior art under 35 U.S.C. §§ 102 and 103 begins with a determination of the scope of the claim and that such interpretation begins with the language of the claim itself. The properly interpreted claim must then be compared with the prior art. See, e.g., SmithKline Diagnostics, Inc. v. Helena Laboratories Corp., 859 F.2d 878, 882, 8 USPQ2d 1468, 1472 (Fed. Cir. 1988).

Accordingly, we initially direct our attention to independent claim 1 on appeal to derive an understanding of the scope and content thereof. This claim is directed to a method for collecting sales and/or use taxes on remote sales and recites, *inter alia*, the steps of "D) collecting by an agent the correct sales and/or use tax received by sellers; E) segmenting by the agent, the seller's sales and/or use taxes and the information collected by the sellers for particular taxing jurisdictions into different data bases, wherein the identity of the seller is not revealed to the taxing jurisdiction; and F) paying each taxing jurisdiction the taxes that are due." In the brief (pages 14-15), appellants urge that a unique and unobvious aspect of the present invention is that an agent certified by the taxing jurisdictions who collects sales and/or use taxes on

remote sales does not reveal to the taxing jurisdiction the identity of the seller, and that it is this aspect of the invention that is not taught or suggested by the applied prior art references to Chong, Francisco, RFP #001185, and Himmel. More particularly, appellants contend that the act of keeping the claimed seller, i.e., payee, anonymous to the taxing jurisdiction is new and unobvious.

Although it appears from the tenor of appellants' argument that the agent would never reveal the identity of the seller to the taxing jurisdiction, we again note that the specification (page 7) informs us that one of appellants' intentions is to restrict access to the information in the seller tax record data bases (16a, 16b . . . 16n) created by the agent by having the seller's information in those data bases stored under an alias or ID number which is "not normally exposed to taxing jurisdictions". The specification goes on to note that the taxing jurisdictions may conduct an audit using a seller's alias or ID number, and indicates that a seller's true identity would be disclosed "only if there were sufficient suspicion of fraud based upon audit data." Thus, the specification clearly indicates that the agent may reveal the true identity of a seller to the taxing jurisdiction at some point in time.

Moreover, we observe that in the particular situation before us on appeal the limitation regarding the identity of a seller not being revealed to the taxing jurisdiction is set forth in step (E) of claim 1, which addresses "segmenting by the agent, the seller's sales and/or use taxes and the information collected by the sellers for particular taxing jurisdictions into different data bases, wherein the identity of the seller is not revealed to the taxing jurisdiction." Thus, in our view, the limitation concerning seller anonymity is applicable only to step E) and is not limiting as to the agent otherwise revealing the identity of the seller to a taxing jurisdiction at some future time, such as, for example, at the time of paying the taxing jurisdiction the taxes that are due. It is with this view and interpretation of the claims in mind that we look to the examiner's rejections under 35 U.S.C. § 103(a).

Claims 1 through 5 and 8 through 16 stand rejected under 35 U.S.C. § 103(a) as being unpatentable over Chong in view of Francisco, Appendix A of RFP #001185 and Himmel. As the examiner points out in the answer (page 4) RFP #001185 addresses a streamlined sales tax system and method that is very similar to that defined in appellants' claims on appeal. More particularly, RFP #001185 (Appendix A) discloses a system wherein the states

assume a large share of the responsibility for sales tax administration by establishing joint certification standards for both a certified service provider (CSP) and a certified automated system (CAS), by designating qualified entities and systems as a CSP and a CAS, and by providing incentives for the use of a CSP or CAS. One of those incentives is that a retailer (seller) using the system is subject to reduced liability for any errors resulting from proper use of a CAS and also to a reduced audit scope. As noted on page 26, the system in RFP #001185 is particularly designed for retailers that make remote sales.

Model 2 in Appendix A of RFP #001185 (page 27) discusses a retailer's use of a certified automated system (CAS) and notes that under the system a retailer may select a CAS to perform one part of the retailer's sales tax administration function, i.e., that of determining the amount of tax due on a particular transaction. More specifically, the CAS will determine whether an item is taxable in the appropriate taxing jurisdiction, at what rate, and whether the purchaser is exempt from tax, and subsequently communicate that information to the retailer. To that end, the retailer using the disclosed system establishes an interface with the CAS, and then relies on the CAS to calculate the tax due. The retailer is responsible for collecting the

appropriate tax from the purchaser and is liable for the tax due. Under Model 1 of RFP #001185 (page 25), a retailer selects a certified service provider (CSP) as an agent to perform all of the retailer's sales tax functions. The agent, who is compensated by the taxing jurisdiction, then determines the amount of tax due, pays the taxes to the states or other taxing jurisdictions, files returns with the necessary taxing jurisdictions using a CAS, and maintains a record of the transactions.

Chong discloses a computerized system and method for tracking multiple types of sales tax assessments for different taxing authorities on different types of sales transactions with customers. The system is designed particularly for companies operating in national or global markets that frequently conduct sales transactions in a number of taxing jurisdictions and/or are subject to a number of taxing authorities within the same or different jurisdictions. Chong notes that such companies often sell different types of goods or services to different types of customers that may be taxable at different rates, and that the companies are thus required to collect many different types and percentages of sales or excise taxes, and to report their sales transactions and collected taxes to each applicable taxing

jurisdiction or authority. An objective of the system in Chong is to automatically track the appropriate sales tax rates, the sales types, and proper taxing jurisdiction for the user (seller) for each given transaction and to determine the amount of tax due on a particular transaction. Figure 3 of Chong shows a logic diagram of the steps for entering a sales transaction. The system also includes a sales tax reporting module for sorting the sales records by taxing authority, tax types, and sales types, and for creating a sales tax report for each taxing authority showing total sales amounts and sales tax amounts for each of the sales types. Figure 4 of Chong shows a logic diagram of the steps for sorting and generating a sales tax report.

Francisco discloses a point of sale tax reporting and automatic collection system and method that automatically reports all retailer transactions and sales tax collected by retailers from customers to local and federal government authorities and then automatically collects the sales tax amounts from retailer accounts so as to prevent retailers from avoiding the payment of collected sales taxes to the appropriate taxing jurisdictions. In column 2, lines 33-47, Francisco discusses the system of Chong and notes that while it enables the user to keep track of appropriate sales tax rates, sales types, etc., the system does

not act to ensure that all retailer transactions and sales tax collected thereon are reported and forwarded to the appropriate authorities. The automatic system and method of Francisco seeks to correct that problem by having an automated agent or "first computer and first memory" (13, 19) collect and save transaction and sales tax data at a remote location from the retailer and periodically (e.g., daily) access and debit an account of the retailer, with the amount debited corresponding to the amount of sales tax paid to the retailer by consumers.

Himmel discloses a method and apparatus for detecting, storing and retrieving information, including duration of view time, concerning advertisements included with Web pages seen by a particular user, and thereafter using the stored information in controlling access of that user to subsequent Web pages and/or to dynamically alter the content of subsequently requested Web pages to reflect the user preferences indicated.

From the examiner's perspective, the collective teachings of Chong, RFP #001185, Francisco and Himmel would have been suggestive to one of ordinary skill in the art at the time of appellants' invention of a method for collecting sales and/or use taxes on remote sales like that claimed by appellants. More

particularly, the examiner urges (answer, pages 7-9) that Chong discloses a method for collecting sales taxes on remote sales including the steps of collecting information regarding remote sales made by buyers, calculating the correct taxing jurisdictions sales and/or use taxes to be paid by the buyers for the remote sales and collecting by sellers from buyers of the correct sales and/or use tax. Chong also discloses segmenting of the seller's sales taxes and the information collected by the sellers for particular taxing jurisdictions into different data bases (Fig. 4) and subsequently paying each taxing jurisdiction the taxes that are due. What Chong lacks is any teaching or suggestion of an agent or certified service provider (CSP) for collecting the correct sales taxes from the seller/retailer and performing the retailer's further sales tax functions, such as the segmenting of information by taxing jurisdictions, payment of the taxes to the states or other taxing jurisdictions, filing tax returns with the necessary taxing jurisdictions, and maintaining a record of the transactions.

However, we agree with the examiner that the combined teachings of Chong, Appendix A of RFP #001185 and Francisco would have been generally suggestive to one of ordinary skill in the art at the time of appellants' invention of having an agent or

CSP act for a retailer after the retailer has initially collected the correct sales and/or use taxes from buyers, by the agent collecting the taxes received by the retailers and performing the segmenting of information by taxing jurisdictions, the payment of taxes to the states or other taxing jurisdictions, and the filing of tax returns with the necessary taxing jurisdictions. As expressly noted in RFP #001185 and Francisco, this approach would relieve a retailer like that in Chong of a significant portion of the burden of compliance with complex tax administrative functions and better ensure that a greater amount of the overall sales and/or use taxes collected by retailers are paid over to the taxing jurisdictions.

As for appellants' assertions concerning what appellants view as the unique and unobvious aspect of the claimed invention, i.e., that the agent does not reveal to the taxing jurisdiction the identity of a seller, we point to our discussion *supra* regarding this limitation and again note that the limitation concerning seller anonymity, in our view, is applicable only to segmenting step E) and is not limiting as to the agent otherwise revealing the identity of the seller to a taxing jurisdiction at some future time, such as, for example, at the time of paying the taxing jurisdiction the taxes due. With that understanding, it

is clear to us that when an agent or CSP acts for a retailer like that in Chong by the agent collecting the taxes received by the retailer and performing the segmenting of information by taxing jurisdictions, the payment of taxes to the taxing jurisdictions, and the filing of tax returns with the necessary taxing jurisdictions, as suggested by the combined teachings of Chong, RFP #001185 and Francisco, that during the segmenting step the information concerning seller identity is entirely under the purview and control of the agent/CSP and is not at that point in time revealed to the taxing jurisdictions. Thus, the method as broadly set forth in claim 1 on appeal would have been obvious to one of ordinary skill in the art at the time of appellants' invention based on the collective teachings and suggestions of the applied prior art.

We emphasize again that the claims before us on appeal only require the agent to maintain the identity of the seller secret at a particular time during the process (i.e., during the segmenting step) and not, as appellants seem to believe, that the agent must refrain from revealing the identity of a seller to a taxing jurisdiction at all times, and especially at the time of reporting and paying the taxing jurisdiction the taxes that are due and/or during any subsequent audit procedure.

As for the Himmel patent relied upon by the examiner for a general teaching/suggestion regarding the practice of restricting access to files in the environment of the Internet, we find the examiner's reliance on this patent to be unnecessary and treat it as mere surplusage.

In light of the foregoing, the examiner's rejection of independent claim 1 under 35 U.S.C. § 103(a) is sustained.

Concerning dependent claims 2 through 5 and 8 through 16, we observe that appellants have indicated in Grouping (A) on page 11 of their corrected, substituted brief that these claims "stand or fall together with regards to the rejection under 35 U.S.C. § 103(a)." However, appellants then go on to set forth other groupings (B) through (F) of the claims on appeal and to present arguments on pages 16-19 of the corrected, substituted brief addressing certain of those claims. After due consideration, and based on appellants' groupings, we conclude that claims 2 through 4, 10, 11 and 15 will fall with claim 1, from which they depend, since appellants have not presented any separate argument addressing the patentability of those claims. As for claims 5, 6, 8, 9, 12, 13, 14 and 16, we will respond to the arguments presented by appellants.

Concerning claims 5 and 6, we find that the combined teachings of Chong, Appendix A of RFP #001185 and Francisco would have been suggestive of an agent or CSP filing reports (e.g., tax returns) with the taxing jurisdictions. Note particularly, the disclosure in Appendix A of RFP #001185 on pages 25 and 26, where it is specifically noted that the CSP will file tax returns for the taxes due. Note also that appellants concede on page 16 of their corrected, substituted brief that Longfield discloses the filing of tax returns by an agent. Thus, appellants' argument, which appears to rely heavily on the limitation in claim 1 concerning seller identity not being revealed to the taxing jurisdiction, is not persuasive. Therefore, the examiner's rejection of claim 5 based on the collective teachings of Chong, Appendix A of RFP #001185 and Francisco, and that of claim 6 based on the collective teachings of Chong, Appendix A of RFP #001185, Francisco and Longfield will be sustained.

Regarding claims 8 and 9, they respectively set forth that buyer (claim 8) and seller (claim 9) information segmented by the agent in claim 1 "may be accessed by an identification number." Like the examiner, we note that Chong involves a system and method wherein information regarding a particular customer or buyer is indexed to a customer identification number or code and

accessed using that identification number/code. See, e.g., col. 3, lines 5-8, col. 4, lines 18-22 and col. 6, lines 4-6. Moreover, as exemplified in Francisco (Fig. 2) it is well known to utilize a tax ID number to identify a particular retailer and to subsequently use that ID number to access information concerning the retailer's information and tax data. Thus, it is our view that the subject matter of claims 8 and 9 on appeal would have been obvious to one of ordinary skill in the art at the time of appellants' invention.

Claim 12 expressly sets forth a requirement that the agent of claim 1 reveal the identity of a seller to a taxing jurisdiction if the segmented information identifies improper conduct. In that regard, although Appendix A of RFP #001185 mentions reduced liability and audit scope for a participating retailer, it goes on to make clear (bottom of page 26) that under certain circumstances the retailer is subject to a full audit if the states (taxing jurisdictions) have reason to believe that the retailer is engaged in fraud. In our view, it would have been obvious to one of ordinary skill in the art at the time of appellants' invention that the agent described in RFP #001185 and used in Chong would be required to reveal the identity of any retailer involved in improper conduct such as fraud. Thus, the

examiner's rejection of claim 12 under 35 U.S.C. § 103(a) will be sustained.

Claim 13 addresses the step of "notifying a seller that a taxing jurisdiction is studying its segmented sales and/or use taxes collected," while claim 14 sets forth a limitation that the seller will be able to review the segmented sales and/or use taxes collected before the taxing jurisdiction studies the sellers segmented sales and/or use taxes collected. In this instance, we note that it is conventional for a taxing jurisdiction to notify a retailer/seller of an impending audit and, as indicated in the Background portion of appellants' own specification (page 3), to send a representative of the taxing jurisdiction to visit the retailer. Thus, we view the broadly recited notice limitation of claim 13 as being obvious to one of ordinary skill in the art at the time of appellants' invention. As for the ability of the seller to review the segmented sales and/or use taxes collected before the taxing jurisdiction studies the sellers segmented sales and/or use taxes collected, we direct attention to the sales tax report noted in Chong (col. 6, lines 30-68) and the verifying computer (41) of Francisco, both of which would allow a seller to review the segmented sales and/or use taxes collected at any time in the process, and especially

before the taxing jurisdiction studies the sellers segmented sales and/or use taxes collected. Thus, the examiner's rejection of claims 13 and 14 under 35 U.S.C. § 103(a) will be sustained.

Claim 16 adds to claim 1 the requirement that the taxing jurisdictions pay the agent for services rendered. This limitation is expressly addressed in Appendix A of RFP #001185 (page 25) wherein it is noted that the agent/CSP will be compensated by the states (taxing jurisdictions) on a per transaction basis, a percentage basis, or some combination of those methods. Thus, the examiner's rejection of claim 16 under 35 U.S.C. § 103(a) will be sustained.

In light of the foregoing, the examiner's decision rejecting claims 1 through 5 and 8 through 16 under 35 U.S.C. § 103(a) as being unpatentable over Chong in view of Francisco, Appendix A of RFP #001185 and Himmel, and rejecting claim 6 under 35 U.S.C. § 103(a) as being unpatentable over Chong in view of Francisco, Appendix A of RFP #001185, Himmel and Longfield is affirmed.

However, since our rationale for sustaining the above-noted rejections on appeal is somewhat different than that set forth by the examiner, especially with regard to the limited

interpretation of claim 1 and a more in-depth discussion of many of the dependent claims, we denominate our affirmance as constituting new grounds of rejection under 37 CFR § 41.50(b).

This decision contains a new ground of rejection pursuant to 37 CFR § 41.50(b) (effective September 13, 2004, 69 Fed. Reg. 49960 (August 12, 2004), 1286 Off. Gaz. Pat. Office 21 (September 7, 2004)). 37 CFR § 41.50(b) provides "[a] new ground of rejection pursuant to this paragraph shall not be considered final for judicial review."

37 CFR § 41.50(b) also provides that the appellant, WITHIN TWO MONTHS FROM THE DATE OF THE DECISION, must exercise one of the following two options with respect to the new ground of rejection to avoid termination of the appeal as to the rejected claims:

> (1) *Reopen prosecution.* Submit an appropriate amendment of the claims so rejected or new evidence relating to the claims so rejected, or both, and have the matter reconsidered by the examiner, in which event the proceeding will be remanded to the examiner. . . .
>
> (2) *Request rehearing.* Request that the proceeding be reheard under § 41.52 by the Board upon the same record. . . .

AFFIRMED, 37 CFR § 41.50(b)

Charles E. Frankfort

CHARLES E. FRANKFORT )
Administrative Patent Judge )
)
)
)
JEFFREY V. NASE ) BOARD OF PATENT
Administrative Patent Judge ) APPEALS AND
) INTERFERENCES
)
)
ROBERT E. NAPPI )
Administrative Patent Judge )

CEF:pgc

Pitney Bowes Inc.
35 Waterview Drive
P.O. Box 3000
MSC 26-22
Shelton, CT 06484-8000